



VILLAGE OF OAK HARBOR
OTTAWA COUNTY

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Village of Oak Harbor
Ottawa County
P.O. Box 232
Oak Harbor, Ohio 43449-0232

To the Village Council:

Report on the Audit of the Financial Statements

Unmodified and Adverse Opinions

We have audited the financial statements of the Village of Oak Harbor, Ottawa County, Ohio (the Village), which comprises the cash balances, receipts and disbursements for each governmental and proprietary fund type as of and for the year ended December 31, 2022, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental and proprietary fund type as of and for the year ended December 31, 2022, and the related notes to the financial statements, in accordance with the financial reporting provisions which Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* section of our report, the accompanying financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village, as of December 31, 2022, or the changes in financial position or, where applicable, cash flows thereof for the year then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Village, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the financial statements are prepared by the Village on the basis of the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Emphasis of Matter - Accounting Basis

As discussed in Note 3(b) to the financial statements, during 2022, the Village has elected to change its financial presentation to an accounting basis permitted by the financial reporting provisions of the Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP). Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted to opine on the financial statements as a whole.

The Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and is not a required part of the financial statements.

The schedule is the responsibility of management and derives from and relates directly to the underlying accounting and other records used to prepare the financial statements. We subjected this schedule to the auditing procedures we applied to the financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2023, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

September 26, 2023

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**VILLAGE OF OAK HARBOR
OTTAWA COUNTY, OHIO**

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
Cash receipts:				
Property and other local taxes	\$ 251,075	\$ 257,769	\$ -	\$ 508,844
Municipal income tax	968,160	-	-	968,160
Intergovernmental	119,208	342,910	1,008,505	1,470,623
Special assessments	243	3,134	-	3,377
Charges for services	292,125	-	-	292,125
Fines, licenses and permits	12,829	651	2,399	15,879
Earnings on investments	73,572	2,686	-	76,258
Contributions and donations	650	435	-	1,085
Other	39,366	56,640	-	96,006
Total cash receipts	<u>1,757,228</u>	<u>664,225</u>	<u>1,010,904</u>	<u>3,432,357</u>
Cash disbursements:				
Current:				
Security of persons and property	641,174	97,506	-	738,680
Public health services	8,666	-	-	8,666
Leisure time activities	36,774	-	-	36,774
Community environment	9,768	-	-	9,768
Transportation	183,145	112,342	56,456	351,943
General government	248,529	284,286	-	532,815
Capital outlay	45,981	44,053	1,006,063	1,096,097
Debt service:				
Principal retirement	-	19,084	-	19,084
Interest and fiscal charges	-	647	-	647
Total cash disbursements	<u>1,174,037</u>	<u>557,918</u>	<u>1,062,519</u>	<u>2,794,474</u>
Excess (deficiency) of receipts over (under) disbursements	<u>583,191</u>	<u>106,307</u>	<u>(51,615)</u>	<u>637,883</u>
Other financing receipts (disbursements)				
Sale of capital assets	-	-	129,712	129,712
Transfers in	588	2,000	90,000	92,588
Transfers (out)	(92,588)	-	-	(92,588)
Total other financing receipts (disbursements)	<u>(92,000)</u>	<u>2,000</u>	<u>219,712</u>	<u>129,712</u>
Net change in fund cash balances	491,191	108,307	168,097	767,595
Fund cash balances, January 1 (restated)	<u>1,106,768</u>	<u>942,662</u>	<u>260,317</u>	<u>2,309,747</u>
Fund cash balances, December 31	<u>\$ 1,597,959</u>	<u>\$ 1,050,969</u>	<u>\$ 428,414</u>	<u>\$ 3,077,342</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**VILLAGE OF OAK HARBOR
OTTAWA COUNTY, OHIO**

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2022

	Enterprise
Operating cash receipts:	
Charges for services	\$ 5,820,974
Other operating revenues	45,727
Total operating cash receipts	5,866,701
Operating cash disbursements:	
Personal services	872,543
Employee fringe benefits	426,243
Contract services	2,927,314
Supplies and materials	236,687
Travel	101
Total operating cash disbursements	4,462,888
Operating income	1,403,813
Non-operating receipts (disbursements):	
Debt service:	
Principal retirement	(788,397)
Interest and fiscal charges	(229,040)
Sale of capital assets	29,500
Capital outlay	(712,910)
Other financing uses	(11,675)
Loan proceeds	203,357
Excise tax payment - electric	(97,986)
Total non-operating receipts (disbursements)	(1,607,151)
Loss before capital contributions	(203,338)
Capital contributions	186,528
Net change in fund cash balances	(16,810)
Fund cash balances, January 1 (restated)	6,704,511
Fund cash balances, December 31	\$ 6,687,701

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**VILLAGE OF OAK HARBOR
OTTAWA COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 1 - REPORTING ENTITY

The Village of Oak Harbor, Ottawa County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a six-member Council elected at large for four-year terms. The Mayor is elected to a four-year term.

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the Village are not misleading.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The primary government of the Village of Oak Harbor provides the following services to its citizens: general government, police protection, parks and recreation, street maintenance and repairs, and water, sewer and electric utilities.

B. Public Entity Risk Pool, Joint Ventures, and Jointly Governed Organizations

The Village participates in a public entity risk pool, several joint ventures, and two jointly governed organizations. Notes 7, 11, and 13 to the financial statements provide additional information for these entities.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types which are all organized on a fund type basis.

A. Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than capital projects. The Village had the following significant Special Revenue Funds:

Police Levy Fund The Police Levy Fund accounts for and reports the property tax levy that is restricted for police protection services.

Corona Local Fiscal Recovery Fund The Corona Local Fiscal Recovery Fund accounts for and reports the grant proceeds from the American Recovery Plan (ARP) Act that is restricted for use on various costs of the Village allowable under the ARP Act.

**VILLAGE OF OAK HARBOR
OTTAWA COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

Capital Projects Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Projects Funds:

Church Street Sewer Improvement Fund The Church Street Sewer Improvement Fund accounts for and reports federal loan and grant money for the purpose of improving, constructing, and purchasing those items necessary to enhance the operation of the Village.

Ohio Public Works Commission Issue 2 Fund The Village received a grant from the state for capital improvements. Its proceeds are restricted for capital improvement.

Enterprise Funds These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Fund The Water Fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Electric Fund The Electric Fund is used to record user charges for the cost of providing electric services to Village residents and businesses.

B. Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit.

C. Budgetary Process

The Ohio Revised Code requires each fund be budgeted annually.

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, department and object level of control and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must approve estimated resources.

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not use the encumbrance method of accounting.

A summary of 2022 budgetary activity appears in Note 4.

**VILLAGE OF OAK HARBOR
OTTAWA COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

D. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values certificates of deposit, federal agency securities and U.S. Treasury securities at cost. Money market mutual funds are recorded at share values the mutual fund reports. The Village's investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

E. Capital Assets

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

F. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

G. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonexpendable portion of the corpus in permanent funds.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the General Fund is limited to encumbrances outstanding at year end.

Unassigned Unassigned fund balance is the residual classification for the General Fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

For regulatory purposes, limited disclosure related to fund balance is included in Note 15.

**VILLAGE OF OAK HARBOR
OTTAWA COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For 2022, the Village has implemented GASB Statement No. 87, "Leases", GASB Implementation Guide 2019-3, "Leases", GASB Implementation Guide 2020-1, "Implementation Guide Update - 2020", GASB Statement No. 91, "Conduit Debt Obligations", GASB Statement No. 92, "Omnibus 2020", GASB Statement No. 93, "Replacement of Interbank Offered Rates", GASB Statement No. 97, "Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32" and certain paragraphs of GASB Statement No. 99, "Omnibus 2022".

GASB Statement No. 87 and GASB Implementation Guide 2019-3 enhance the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. Since the Village does not prepare financial statements using generally accepted accounting principles, the implementation of GASB Statement No. 87 did not have an effect on the financial statements or notes to the financial statements of the Village.

GASB Implementation Guide 2020-1 provides clarification on issues related to previously established GASB guidance. The implementation of GASB Implementation Guide 2020-1 did not have an effect on the financial statements of the Village.

GASB Statement No. 91 provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The implementation of GASB Statement No. 91 did not have an effect on the financial statements of the Village.

GASB Statement No. 92 enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The implementation of GASB Statement No. 92 did not have an effect on the financial statements of the Village.

GASB Statement No. 93 establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates (IBORs) in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The implementation of GASB Statement No. 93 did not have an effect on the financial statements of the Village.

GASB Statement No. 97 is to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The implementation of GASB Statement No. 97 did not have an effect on the financial statements of the Village.

**VILLAGE OF OAK HARBOR
OTTAWA COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

GASB Statement No. 99 is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The implementation of GASB Statement No. 99 did not have an effect on the financial statements of the Village.

B. Change in Presentation

In 2021, the Village reported their financial statements on the cash basis comparable to the requirements of *Governmental Accounting Standards*. For 2022, the Village has elected to follow the financial statement presentation following the regulatory basis of accounting described in Note 2. The fund financial statements now present a column for each fund type, rather than each major fund in a separate column with nonmajor funds aggregated and presented in a single column. The Village also no longer presents entity wide financial statements.

NOTE 4 - BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2022 follows:

Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,502,988	\$ 1,757,816	\$ 254,828
Special Revenue	1,135,300	666,225	(469,075)
Capital Projects	936,388	1,230,616	294,228
Enterprise	6,263,531	6,286,086	22,555
Total	\$ 9,838,207	\$ 9,940,743	\$ 102,536

Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 2,609,645	\$ 1,355,621	\$ 1,254,024
Special Revenue	1,725,718	752,704	973,014
Capital Projects	1,548,949	1,076,896	472,053
Enterprise	12,968,042	7,269,300	5,698,742
Total	\$ 18,852,354	\$ 10,454,521	\$ 8,397,833

NOTE 5 - DEPOSITS AND INVESTMENTS

Monies held by the Village are classified by State statute into three categories:

Active deposits are public deposits determined to be necessary to meet current demands upon the Village treasury. Such monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

**VILLAGE OF OAK HARBOR
OTTAWA COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies held by the Village may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and, with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At year end, the Village has \$1,025 in undeposited cash on hand, which is included as a part of fund balance.

A. Deposits

At December 31, 2022, the carrying amount of all Village deposits was \$4,693,354. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2022, \$500,000 of the Village's bank balance of \$4,738,047 was covered by the FDIC, while \$4,238,047 was exposed to custodial risk as discussed below.

**VILLAGE OF OAK HARBOR
OTTAWA COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

Custodial credit risk is the risk that, in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Village has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the Village and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the Village to a successful claim by the FDIC.

B. Investments

The fair value of these investments is not materially different than measurement value. As of December 31, the Village had the following investments:

Investment type	Carrying Value	Investment Maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
FFCB	\$ 777,549	\$ -	\$ 324,733	\$ -	\$ -	\$ 452,816
FHLB	212,824	-	-	120,000	-	92,824
FHLMC	249,863	-	-	-	-	249,863
FNMA	633,875	-	129,961	-	-	503,914
Negotiable CDs	1,643,068	628,154	345,739	384,997	-	284,178
U.S. Government money market	4,529	4,529	-	-	-	-
U.S. Treasury bonds	49,631	49,631	-	-	-	-
U.S. Treasury notes	442,152	49,794	-	-	98,984	293,374
STAR Ohio	1,057,173	1,057,173	-	-	-	-
Total	\$ 5,070,664	\$ 1,789,281	\$ 800,433	\$ 504,997	\$ 98,984	\$ 1,876,969

The weighted average maturity of investments is 0.21 years

Interest Rate Risk - Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Village's investment policy addresses interest rate risk by limiting investment portfolio maturities to five years or less.

Credit Risk - The Village's investments were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio an AAAM money market rating. STAR Ohio must maintain the highest letter or numerical rating provided by at least one nationally recognized standard rating service. The Village has no investment policy dealing with investment credit risk beyond the requirements in State statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the Village's name. The Village has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

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Concentration of Credit Risk – The Village places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the Village at December 31, 2022:

<u>Investment type</u>	<u>Carrying Value</u>	<u>% of Total</u>
FFCB	\$ 777,549	15.33
FHLB	212,824	4.20
FHLMC	249,863	4.93
FNMA	633,875	12.50
Negotiable CDs	1,643,068	32.40
U.S. Government money market	4,529	0.09
U.S. Treasury bonds	49,631	0.98
U.S. Treasury notes	442,152	8.72
STAR Ohio	1,057,173	20.85
Total	<u>\$ 5,070,664</u>	<u>100.00</u>

C. Reconciliation of Cash and Investments to Fund Type Balances

The following is a reconciliation of cash and investments are reported in the note above to fund type balances as reported on the combined statements of receipts, disbursements and changes in fund balances (regulatory cash basis) as of December 31, 2022:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 4,693,354
Carrying amount of investments	5,070,664
Cash on hand	1,025
Total	<u>\$ 9,765,043</u>
<u>Fund balance per the financial statements</u>	
General Fund	\$ 1,597,959
Special Revenue funds	1,050,969
Capital Project funds	428,414
Enterprise funds	<u>6,687,701</u>
Total	<u>\$ 9,765,043</u>

NOTE 6 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real and public utility property located in the Village. Property tax revenue received during 2022 for real and public utility property taxes represents collections of 2021 taxes.

2022 real property taxes are levied after October 1, 2021, on the assessed value as of January 1, 2022, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2022 real property taxes are collected in and intended to finance 2023.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

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Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2022 public utility property taxes which became a lien December 31, 2021, are levied after October 1, 2022, and are collected in 2023 with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2022, was \$11.17 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2022 property tax receipts were based are as follows:

	2022 Collection Year
Real property	\$ 52,880,830
Public utility personal property	975,350
Total assessed value	\$ 53,856,180

B. Income Taxes

The Village levies a municipal income tax of 1.00% on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

NOTE 7 - RISK MANAGEMENT

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Risk Pool Membership

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the Plan), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments (Members). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

Effective November 1, 2016, the OPRM elected to participate in a property loss corridor deductible. The property corridor includes losses paid between 70% and 75%. In 2018, the casualty loss corridor was eliminated and the property corridor was adjusted to losses paid between 65% and 70%. Effective November 1, 2019, the property loss corridor was adjusted to losses between 60% and 67.5% and has remain unchanged. OPRM had 773 members as of December 31, 2022.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2022.

Assets	\$ 21,662,291
Liabilities	(18,158,351)
Members' Equity	\$ 3,503,940

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You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

NOTE 8 - DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

Some Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10.00% of their gross salaries, and the Village contributed an amount equaling 14.00% of participants' gross salaries. The Village has paid all contributions required through December 31, 2022.

Ohio Police and Fire Retirement System

The Village's full-time police officers belong to the Ohio Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.50% of full-time police members' wages. The Village has paid all contributions required through December 31, 2022.

Social Security

Several employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.20% of their gross salaries. The Village contributed an amount equal to 6.20% of participants' gross salaries. The Village has paid all contributions required through December 31, 2022.

NOTE 9 - POSTEMPLOYMENT BENEFITS

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0% during calendar year 2022. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0% during calendar year 2022. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

Effective January 1, 2022, OPERS discontinued the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses.

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 10 - DEBT

Long-Term Obligations

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
Ohio Water Development Authority (OWDA) Loans:			
2007 Combined Sewer Overflow (CSO) - 4806	2.86%	\$ 5,916,611	January 1, 2029
2009 Supplemental CSO - 5212	2.93%	348,916	January 1, 2029
2011 CSO Basin Improvements - 5953	3.36 - 3.77%	976,324	January 1, 2023
2019 West Water Service Extension - 8546	0.00%	201,740	July 1, 2040
2022 300,000 Gallon Elevated Water Storage Tank - 9997	3.34%	390,247	January 1, 2054
2022 Lake Winds Elevated Tank Rehabilitation - 9575	0.24%	225,614	January 1, 2043
Ohio Public Works Commission (OPWC) Loan:			
CE03R State Route 163 Waterline Replacement Phase II	0.00%	129,675	January 1, 2036
Croghan Colonial Bank Loan			
Street Sweeper - 26091559	3.15%	197,035	December 31, 2022
AMP Ohio Loan:			
OMEGA JV5	Varies	1,572,761	February 15, 2030
General Obligation Loan:			
Capital Facilities Bond - Series 2020	Varies	4,999,000	September 1, 2060
Revenue Bonds:			
Water System Improvement Bond - Series 2020	2.50%	1,300,000	December 1, 2040
Electric System Improvement Bond - Series 2020	2.50%	900,000	December 1, 2040

The changes in the Village's long-term debt during 2022 were as follows:

	Interest Rates	Balance at 1/1/22	Additions	Reductions	Balance at 12/31/22	Due in One Year
Governmental Funds:						
Street Sweeper	3.15%	\$ 19,084	\$ -	\$ (19,084)	\$ -	\$ -
Proprietary Funds:						
Capital Facilities Bond	Varies	4,950,729	-	(87,109)	4,863,620	88,752
Street Sweeper	3.15%	41,715	-	(41,715)	-	-
Water System Imp Bond	2.50%	1,235,000	-	(65,000)	1,170,000	65,000
Electric System Imp Bond	2.50%	855,000	-	(45,000)	810,000	45,000
OMEGA JV5	Varies	387,966	-	(83,924)	304,042	-
OPWC Loan	0.00%	97,256	-	(6,484)	90,772	6,484
OWDA Loans	0.00% to 3.77%	3,140,257	203,357	(459,165)	2,884,449	414,365
Total Proprietary Funds		10,707,923	203,357	(788,397)	10,122,883	619,601
Total Long-Term Obligations		\$ 10,727,007	\$ 203,357	\$ (807,481)	\$ 10,122,883	\$ 619,601

The Ohio Water Development Authority Loans were used for improvements to the Village's water treatment and sewer treatment systems. The loans will be paid from user charges. The Lake Winds Elevated Tank Rehabilitation and Elevated Water Storage Tank projects were not completed as of December 31, 2023 and the amortization schedules are currently not available. Therefore, the loan amortizations are not included in the schedule below. The total amount outstanding at December 31, 2022 was \$205,027.

The Village was the recipient of \$605,220 in OWDA loan principal forgiveness during previous audit periods for OWDA loan 8546. The Village is required to follow the guidelines of the loan agreements. The failure to do so could result in the Village being liable for the principal forgiven. The principal outstanding above assumes the Village will fully comply with the loan guidelines and assumes full principal forgiveness.

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During 2015, the Village completed Phase II of the State Route 163 Waterline Replacement Project financed through the Ohio Public Works Commission totaling \$129,676 with 0% interest to be paid from user charges.

During 2016, the Village purchased a street sweeper for use by the street department and sewer department financed through a loan from Croghan Colonial Bank. The loan totaled \$197,035 and had an interest rate of 3.15%. The loan was paid off in full during 2022.

The Omega JV5 debt relates to the purchase of Ohio Municipal Electronic Generation Agency Joint Venture (OMEGA JV5). OMEGA JV5 are distributive generation projects. OMEGA JV5 debt is composed of two series of bonds, the 2001 and the 2016 bonds. The 2001 bonds are accretion bonds with a series of balloon payments coming due around 2025. In order to not cause mass fluctuation in member rates, AMP Ohio is currently collecting ahead to be able to make those payments. As such the debt paid down will not always equal the amount of principal collected each year. An amortization schedule for the repayment of the debt is currently not available and, therefore, is not included in the schedule below.

During 2020, the Village financed Water and Electric Systems improvements through revenue bonds totaling \$1,300,000 and \$900,000 with 2.5% interest for both. The Village also financed Capital Facilities with a general obligation bond with 1.875% interest.

During 2021, the Village incurred additional Capital Facilities bonds totaling \$1,452,167 with a variable interest rate.

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2022 are as follows:

Fiscal Year Ending December 31,	Capital Facility Bond			Water System Imp Bond		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 88,752	\$ 90,777	\$ 179,529	\$ 65,000	\$ 29,250	\$ 94,250
2024	90,421	89,105	179,526	65,000	27,625	92,625
2025	92,125	87,402	179,527	65,000	26,000	91,000
2026	93,861	85,666	179,527	65,000	24,375	89,375
2027	95,629	83,898	179,527	65,000	22,750	87,750
2028-2032	505,853	391,779	897,632	325,000	89,375	414,375
2033-2037	555,333	342,302	897,635	325,000	48,750	373,750
2038-2042	609,651	287,986	897,637	195,000	9,750	204,750
2043-2047	669,281	228,358	897,639	-	-	-
2048-2052	734,745	162,897	897,642	-	-	-
2053-2057	806,610	91,033	897,643	-	-	-
2058-2060	521,359	17,229	538,588	-	-	-
Total	\$4,863,620	\$ 1,958,432	\$ 6,822,052	\$ 1,170,000	\$ 277,875	\$ 1,447,875

Fiscal Year Ending December 31,	Electric System Imp Bond			OPWC Loan		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 45,000	\$ 20,250	\$ 65,250	\$ 6,484	\$ -	\$ 6,484
2024	45,000	19,125	64,125	6,484	-	6,484
2025	45,000	18,000	63,000	6,484	-	6,484
2026	45,000	16,875	61,875	6,484	-	6,484
2027	45,000	15,750	60,750	6,484	-	6,484
2028-2032	225,000	61,875	286,875	32,420	-	32,420
2033-2037	225,000	33,750	258,750	25,932	-	25,932
2038-2040	135,000	6,750	141,750	-	-	-
Total	\$ 810,000	\$ 192,375	\$ 1,002,375	\$ 90,772	\$ -	\$ 90,772

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Fiscal Year Ending December 31,	OWDA Loans		
	Principal	Interest	Total
2023	\$ 414,365	\$ 68,466	\$ 482,831
2024	366,793	57,424	424,217
2025	377,082	47,135	424,217
2026	387,668	36,549	424,217
2027	398,560	25,658	424,218
2028-2032	654,258	17,375	671,633
2033-2037	50,435	-	50,435
2038-2040	30,261	-	30,261
Total	<u>\$ 2,679,422</u>	<u>\$ 252,607</u>	<u>\$ 2,932,029</u>

NOTE 11 - JOINT VENTURES AND PROJECTS

A. AMP Generating Station (AMPGS) Project

The Village is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project was intended to develop a pulverized coal power plant in Meigs County, Ohio. The Village's project share was 1,000 kilowatts (kW) of a total 771,281 kW, giving the Village a 0.13 percent project share. The AMPGS Project required participants to sign "take or pay" contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. These costs were therefore deemed *impaired* and participants were obligated to pay costs already incurred. In prior years, the payment of these costs was not considered probable due to AMP's pursuit of legal action to void them. As a result of a March 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an estimate of their liability. The Village's estimated share of the impaired costs at March 31, 2014 was \$172,840. The Village received a credit of \$47,283 related to their participation in the AMP Fremont Energy Center (AFEC) Project, and another credit of \$45,225 related to the AMPGS costs deemed to have future benefit for the project participants. In addition the Village made payments totaling \$57,039 leaving an estimated net impaired cost balance of \$23,293. AMP financed these costs on its revolving line of credit. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact the Village's payments. These amounts will be recorded as they become estimable.

Since March 31, 2014 the Village has made payments of \$29,099 to AMP toward its net impaired cost estimate. Also since March 31, 2014, the Village's allocation of additional costs incurred by the project is \$2,159 and interest on its credit balance due to its payments, credited to the Village of \$506, resulting in a net credit balance at December 31, 2020 of \$4,153. The Village has opted to leave the credit balance with AMP to offset any additional AMPGS Project costs in the future. The Village does have a potential PHFU Liability of \$47,066 resulting in a net total potential liability of \$42,913, assuming the assets making up the PHFU (principally the land comprising the Meigs County site) have no value and also assuming the Village's credit balance would earn zero interest. Stranded costs as well as PHFU costs are subject to change, including future borrowing costs on the AMP line of credit. Activities include items such negative items as property taxes as well as positive items revenue from leases or sale of all or a portion of the Meigs County site property.

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B. OMEGA JV2

The Village is a Non-Financing Participant and an Owner Participant with an ownership percentage of .55% and shares participation with thirty-five other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency (OMEGA JV2). Owner Participants own undivided interests, as tenants in common, in the OMEGA JV2 Project in the amount of their respective Project Shares. Purchaser Participants agree to purchase the output associated with their respective Project shares, ownership of which is held in trust for such Purchaser Participants. Pursuant to the OMEGA JV2 Agreement, the participants jointly undertook as either Financing Participants or Non-Financing Participants and as either Owner Participants or Purchaser Participants, the acquisition, construction, and equipping of OMEGA JV2, including such portions of OMEGA JV2 as have been acquired, constructed or equipped by AMP and to pay or incur the costs of the same in accordance with the JV2 Agreement.

OMEGA JV2 is a cooperative project composed of 36 AMP member communities. The joint venture owns three gas turbine peaking generation units and 35 diesel units. The project has a subscribed capacity of 134,096 megawatts. Thirty-four of the diesel units were upgraded in 2015 with Diesel Oxidation Catalysts to meet the new RICE NESHAP rules. AMP manages the project on behalf of participants and can operate the diesel units remotely from its Energy Control Center to provide participating communities with reduced capacity costs, energy and transmission charges, and distributed generation during times of high market energy prices.

The debt was extinguished in January of 2018. The Village's net investment in OMEGA JV2 was \$5,679 at December 31, 2022. Complete financial statements for OMEGA JV2 may be obtained from AMP or from the State Auditor's website at www.ohioauditor.gov.

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2022 are:

<u>Municipality</u>	<u>Percent Ownership</u>	<u>Kw Entitlement</u>	<u>Municipality</u>	<u>Percent Ownership</u>	<u>Kw Entitlement</u>
Hamilton	23.87%	32,000	Grafton	0.79%	1,056
Bowling Green	14.32%	19,198	Brewster	0.75%	1,000
Niles	11.48%	15,400	Monroeville	0.57%	764
Cuyahoga Falls	7.46%	10,000	Milan	0.55%	737
Wadsworth	5.81%	7,784	Oak Harbor	0.55%	737
Painesville	5.22%	7,000	Elmore	0.27%	364
Dover	5.22%	7,000	Jackson Center	0.22%	300
Galion	4.29%	5,753	Napoleon	0.20%	264
Amherst	3.73%	5,000	Lodi	0.16%	218
St. Mary's	2.98%	4,000	Genoa	0.15%	199
Montpelier	2.98%	4,000	Pemberville	0.15%	197
Shelby	1.89%	2,536	Lucas	0.12%	161
Versailles	1.24%	1,660	South Vienna	0.09%	123
Edgerton	1.09%	1,460	Bradner	0.09%	119
Yellow Springs	1.05%	1,408	Woodville	0.06%	81
Oberlin	0.91%	1,217	Haskins	0.05%	73
Pioneer	0.86%	1,158	Arcanum	0.03%	44
Seville	0.80%	1,066	Custar	0.00%	4
	<u>95.20%</u>	<u>127,640</u>		<u>4.80%</u>	<u>6,441</u>
			Grand total	<u>100.00%</u>	<u>134,081</u>

Under the Village's cash basis of accounting, the equity interest in OMEGA JV2 is not reported as an asset in the accompanying cash basis financial statements.

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C. OMEGA JV5

The Village is a Financing Participant with an ownership percentage of .94%, and shares participation with forty-one other subdivisions within the State of Ohio in the OMEGA JV5. Financing Participants own undivided interests, as tenants in common, without right of participation in the OMEGA JV5 Project.

Pursuant to the OMEGA JV5 Agreement (Agreement), the participants jointly undertook as Financing Participants, the acquisition, construction, and equipping of OMEGA JV5, including such portions of OMEGA JV5 as have been acquired, constructed or equipped by AMP.

OMEGA JV5 was created to construct a 42 Megawatt (MW) run-of-the-river hydroelectric plant (including 40MW of backup generation) and associated transmission facilities (on the Ohio River near the Bellville, West Virginia Locks and Dam) and sells electricity from its operations to OMEGA JV5 Participants.

Also pursuant to this Agreement, each participant has an obligation to pay its share of debt service on Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System.

On dissolution of OMEGA JV5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 2022, Village has met its debt coverage obligation.

The Agreement provides that the failure of any JV5 participant to makes any payment due by the due date thereof constitutes a default. In the event of a default, OMEGA JV5 may take certain actions including the termination of a defaulting JV5 Participant's entitlement to Project Power. Each Participant may purchase a pro rata share of the defaulting JV5 Participant's entitlement of Project Power, which together with the share of the other non-defaulting JV5 Participants, is equal to the defaulting JV5 Participant's ownership share of the project, in kilowatts (Step Up Power) provided that the sum of any such increases shall not exceed, without consent of the non-defaulting JV5 Participant, an accumulated maximum kilowatts equal to 25% of such non-defaulting JV5 Participant's ownership share of the project prior to any such increases.

In 1993, OMEGA JV5 assigned to a trustee the obligations of its participants to make payments for their respective ownership shares in the "Belleville Project," a 42 MW run-of-the-river hydroelectric generating facility on an Army Corps dam near Belleville, Ohio, an associated transmission line in Ohio and backup diesel generation owned by OMEGA JV5. AMP is responsible for operation of the Belleville Project. The hydroelectric generation associated with the Belleville Project has been operational since June 1999. The diesel generation units have been in service since 1995. OMEGA JV5 Participants have approved the retirement and sale of diesel units. The Federal Energy Regulatory Commission license for the Belleville Project runs through August 31, 2039. As of December 31, 2022, \$44,735,574 of the 2001 Belleville Beneficial Interest Certificates (*2001 BICs*) with a final maturity of 2030 was outstanding. The 2001 BICs are capital appreciation bonds with a final aggregate maturity amount of \$56,125,000. In addition, on February 15, 2014, AMP redeemed \$70,990,000 of the 2004 Belleville Beneficial Interest Certificates with the proceeds of a draw on the Line of Credit, which draw was evidenced by the proceeds of a note (the *JV5 Note*). On January 29, 2016, OMEGA JV5 caused the issuance of \$49,745,000 Belleville Beneficial Interest Refunding Certificates, Series 2016 (the *2016 BICs*) to pay a portion of the outstanding balance of the *JV5 Note* and to pay costs of issuance. The balance of the *JV5 Note* has since been retired. The 2016 BICs bear interest at a variable rate, mature on February 1, 2024 and are subject to redemption and mandatory tender at the option of the holder commencing February 15, 2021. The 2001 BICs and 2016 BICs are non-recourse to AMP. As of December 31, 2022, the outstanding debt was \$44,735,574.

**VILLAGE OF OAK HARBOR
OTTAWA COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

The Village's net investment and its share of the operating results of OMEGA JV5 are reported in the Village's Electric Operating Fund (an Enterprise Fund). The Village's net investment to date in OMEGA JV5 was \$28,172 at December 31, 2022. Complete financial statements for OMEGA JV5 can be obtained from AMP at 1111 Schrock Road, Columbus, Ohio 43229, or from the State Auditor's website at www.ohioauditor.gov.

D. Combined Hydroelectric Projects

AMP owns and operates three hydroelectric projects, the Cannelton, the Smithland and the Willow Island hydroelectric generating facilities (the Combined Hydroelectric Projects), all on the Ohio River, with an aggregate generating capacity of approximately 208 MW. Each of the Combined Hydroelectric Projects is in commercial operation and consists of run-of-the-river hydroelectric generating facilities on existing Army Corps dams and includes associated transmission facilities. AMP holds the licenses from FERC for the Combined Hydroelectric Projects.

To provide financing for the Combined Hydroelectric Projects, AMP has issued eight series of its Combined Hydroelectric Projects Revenue Bonds (the Combined Hydroelectric Bonds), in an original aggregate principal amount of \$2,254,955,000 and consisting of taxable, tax-exempt and tax advantaged obligations (Build America Bonds, Clean Renewable Energy Bonds and New Clean Renewable Energy Bonds). The Combined Hydroelectric Bonds are secured by a master trust indenture and payable from amounts received by AMP under a take-or-pay power sales contract with 79 of its Members.

As of December 31, 2022, \$2,095,038,235 aggregate principal amount of the Combined Hydroelectric Bonds and approximately \$31.1 million aggregate principal amount of subordinate obligations, consisting of notes evidencing draws on the Line of Credit, were outstanding under the indenture securing the Combined Hydroelectric Bonds.

The Village has executed a take-or-pay power sales contract with AMP as a participant of the Combined Hydroelectric Projects of 500 kW or 0.24% of capacity and associated energy from the Combined Hydroelectric Projects.

E. AMP Fremont Energy Center (AFEC)

On July 28, 2011, AMP acquired from FirstEnergy Generation Corporation (FirstEnergy) the Fremont Energy Center (AFEC), then nearing completion of construction and located in Fremont, Sandusky County, Ohio. Following completion of the commissioning and testing, AMP declared AFEC to be in commercial operation as of January 20, 2012. The AMP Fremont Energy Center is a natural gas fired, combined cycle, electric power generation plant with a capacity of 512 MW (unfired)/675 MW (fired), consisting of two combustion turbines, two heat recovery steam generators and one steam turbine and condenser. AMP subsequently sold a 5.16% undivided ownership interest in AFEC to Michigan Public Power Agency and entered into a power sales contract with the Central Virginia Electric Cooperative for the output associated with a 4.15% undivided ownership interest in AFEC. The output of AFEC associated with the remaining 90.69% undivided ownership interest (the 90.69% Interest) is sold to AMP Members pursuant to a take-or-pay power sales contract with 87 of its members (the "AFEC Power Sales Contract").

To provide permanent financing for the 90.69% Interest, in 2012, AMP issued, in two series \$546,085,000 of its AMP Fremont Energy Center Project Revenue Bonds (the AFEC Bonds), consisting of taxable and tax-exempt obligations. The AFEC Bonds are net revenue obligations of AMP, secured by a master trust indenture and payable from amounts received by AMP under the AFEC Power Sales Contract. On December 20, 2017, AMP issued bonds to refund all of the callable tax-exempt AFEC Bonds issued in 2012. As of December 31, 2022, \$393,905,000 aggregate principal amount of AFEC Bonds was outstanding.

The Village has executed a take-or-pay power sales contract with AMP as a participant of the AFEC of 440 kW or 0.09% of capacity and associated energy from the AFEC.

**VILLAGE OF OAK HARBOR
OTTAWA COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

F. Prairie State Energy Campus

On December 20, 2007, AMP acquired a 23.26% undivided ownership interest (the PSEC Ownership Interest) in the Prairie State Energy Campus (PSEC), a two-unit, supercritical coal-fired power plant designed to have a net rated capacity of approximately 1,582 MW and associated facilities in southwest Illinois. The PSEC Ownership Interest is held by AMP 368 LLC, a single-member Delaware limited liability company (AMP 368 LLC). AMP is the owner of the sole membership interest in AMP 368 LLC. Construction of the PSEC commenced in October 2007. Unit 1 of the PSEC commenced operations in the second quarter of 2012 and Unit 2 of the PSEC commenced operations in the fourth quarter of 2012.

From July 2008 through September 2010, AMP issued five series of Prairie State Energy Campus Revenue Bonds (collectively, the Initial Prairie State Bonds) to finance PSEC project costs and PSEC related expenses. The Initial Prairie State Bonds consist of tax-exempt, taxable and tax advantaged Build America Bonds issued in the original aggregate principal amount of \$1,696,800,000. On January 14, 2015 and November 30, 2017, AMP issued bonds to refund all of the callable tax-exempt Initial Prairie State Bonds issued in 2008 and 2009. As of December 31, 2022, AMP had \$1,380,660,000 aggregate principal amount of Prairie State Bonds. AMP sells the power and energy from the PSEC Ownership Interest pursuant to a take-or-pay power sales contract with 68 Members (the Prairie State Participants). The Prairie State Bonds are net revenue obligations of AMP, secured by a master trust indenture, payable primarily from the payments to be made by the Prairie State Participants under the terms of the Prairie State Power Sales Contract.

The Village has executed a take-or-pay power sales contract with AMP as a participant of the PSEC of 995 kW or 0.27% of capacity and associated energy from the PSEC.

G. Solar Electricity Prepayment Project

In 2016, AMP entered into the NextEra PPA pursuant to the terms of which AMP agreed to purchase and a subsidiary of NextEra agreed to sell all of the power and energy generated by solar generation facilities (each, a System), each of which is located behind the meter of an AMP Member's Electric System. Under the terms of the NextEra PPA, AMP is required to prepay for twenty-five years of energy to be generated by each System at a "P90" confidence interval, meaning that, in any given year, the probability of exceeding such level of production is ninety percent (90%), and assuming a 0.5% degradation factor. Sixteen Systems with a rated capacity of approximately 58.325 MW have entered commercial operation. AMP has issued two series of Bonds consisting of the Series 2019A and 2020A in the amount of \$80,675,000 to provide financing for the project.

The Village has executed a take-or-pay power sales contract with AMP as a participant of the System of 667 Kw or 1.14% of capacity and associated energy from the System.

NOTE 12 - CONTINGENT LIABILITIES

Management believes there are no pending claims or lawsuits.

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**VILLAGE OF OAK HARBOR
OTTAWA COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 13 - JOINTLY GOVERNED ORGANIZATIONS

A. Portage Fire District

The Village is a member of Portage Fire District (the District). The District is comprised of the Village of Oak Harbor (the Village) and Salem Township (the Township). A three-member Board of Trustees governs the District. The Village and the Township each appoint one member. The third member is a citizen of the District and is approved jointly by the Village and Township. The District provides fire protection services within the District and by contract to areas outside the District. Financial information can be obtained by contacting the District Fiscal Officer at 242 West Water Street, Oak Harbor, Ohio 43449.

B. Regional Income Tax Agency

The Regional Income Tax Agency (RITA) is a regional council of governments formed to establish a central collection facility for the purpose of administering the income tax laws of the members and for the purpose of collecting income taxes on behalf of each member. RITA currently has approximately 350 members in the council of governments. Each member has one representative to the council of governments and is entitled to one vote on items under consideration. RITA is administered by a nine-member board of trustees elected by the members of the council of governments. The board exercises total control over RITA's operation including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the council. For 2022, the Village paid RITA \$27,932 for income tax collection services.

NOTE 14 - INTERFUND TRANSFERS

During 2022, the following transfers were made:

<u>Fund Type</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 588	\$ 92,588
Special Revenue	2,000	-
Capital Projects	90,000	-
 Total	 <u>\$ 92,588</u>	 <u>\$ 92,588</u>

The above mentioned transfers from/to were used to move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; and to use unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Nonroutine transfers from the General Fund were in compliance with Ohio Revised Code to either account for unclaimed monies budgeted in a separate fund but reported in the General Fund for financial reporting purposes.

NOTE 15 - FUND BALANCES

Included in fund balance are amounts the Village cannot spend, including the balance of unclaimed monies which cannot be spent for five years. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control.

**VILLAGE OF OAK HARBOR
OTTAWA COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

At year end the balances of these amounts were as follows:

Fund Balances	General	Special Revenue	Capital Projects	Total
Nonspendable:				
Unclaimed Monies	\$ 11,561	\$ -	\$ -	\$ 11,561
Outstanding Encumbrances	88,996	194,786	14,377	298,159
<i>Total</i>	\$ 100,557	\$ 194,786	\$ 14,377	\$ 309,720

The fund balance of Special Revenue funds is either restricted or committed. The fund balance of Capital Projects funds are restricted committed or assigned. These restricted, committed and assigned amounts in the Special Revenue and Capital Projects funds would include the outstanding encumbrances. In the General Fund, outstanding encumbrances are considered assigned.

NOTE 16 - AMP REVENUE COVERAGE

To provide electric service to the citizens, the Village is a member of Ohio Municipal Electric Generation Agency (OMEGA) Joint Ventures as described in Note 11. The Village is liable for debt related to the financing of the OMEGA joint ventures. The activity is accounted for in the Village’s Electric Fund, which is reported as part of the combined Enterprise Fund Type in the financial statements.

Summary financial information for the Electric Fund is presented below:

	2022
Total Fund Cash Balance	\$ 2,244,026
Total Long-Term Debt	\$ 1,114,042
Condensed Operating Information:	
Operating Receipts	
Charges for Services	\$ 3,097,284
Other Operating Receipts	40,308
Total Operating Receipts	3,137,592
Operating Expenses	
Personal Services	369,627
Employee Fringe Benefits	191,485
Contractual Services	2,085,720
Supplies and Materials	59,796
Travel	101
Total Operating Expenses	2,706,729
Operating Income	430,863
Nonoperating Disbursements	
Capital outlay	(63,428)
Principal Payments	(128,924)
Interest Payments	(21,375)
Excise tax - electric fund	(97,986)
Change in Fund Cash Balance	119,150
Beginning Fund Cash Balance	2,124,876
Ending Fund Cash Balance	\$ 2,244,026

**VILLAGE OF OAK HARBOR
OTTAWA COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

Condensed Cash Flows Information:	<u>2022</u>
Net Cash Provided (Used) By:	
Operating Activities	\$ 430,863
Noncapital Financing Activities	
Other Noncapital Financing Activities - excise tax	<u>(97,986)</u>
Capital and Related Financing Activities	
Principal Payments on Capital and Related Debt	(128,924)
Interest Payments on Capital and Related Debt	(21,375)
Payment for capital purchases	<u>(63,428)</u>
Net Cash Used by Capital and Related Financing Activities	(213,727)
Net Increase	119,150
Beginning Fund Cash Balance	<u>2,124,876</u>
Ending Fund Cash Balance	<u>\$ 2,244,026</u>

NOTE 17 - OTHER REVENUE

Special Revenue Fund Type other receipts consisted primarily of the amount received with regards to a trash service contract.

VILLAGE OF OAK HARBOR
OTTAWA COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal AL Number	Pass Through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF TREASURY			
<i>Passed Through Ohio Office of Budget and Management</i>			
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	ARPA-LFRF NEU-2021	\$283,561
Total U.S. Department of Treasury			<u>283,561</u>
U.S. DEPARTMENT OF AGRICULTURE			
<i>Direct Program</i>			
Water and Waste Disposal Systems for Rural Communities	10.760	N/A	804,891
Total U.S. Department of Agriculture			<u>804,891</u>
Total Expenditures of Federal Awards			<u>\$1,088,452</u>

The accompanying notes are an integral part of this schedule.

**VILLAGE OF OAK HARBOR
OTTAWA COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2022**

NOTE A - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Village of Oak Harbor, Ottawa County, Ohio (the Village) under programs of the federal government for the year ended December 31, 2022. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Village, it is not intended to and does not present the financial position or changes in financial position of the Village.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C - INDIRECT COST RATE

The Village has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D - MATCHING REQUIREMENTS

Certain federal programs require the Village to contribute non-federal funds (matching funds) to support the federally-funded programs. The Village has met its matching requirements. The Schedule does not include the expenditure of non-federal matching funds.



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Oak Harbor
Ottawa County
P.O. Box 232
Oak Harbor, Ohio 43449-0232

To the Village Council:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the cash balances, receipts, and disbursements for each governmental and proprietary fund type as of and for the year ended December 31, 2022 and the related notes to the financial statements of the Village of Oak Harbor, Ottawa County, Ohio (the Village) and have issued our report thereon dated September 26, 2023, wherein we noted the Village followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(C) permit. We also noted the Village elected to change its financial presentation to an accounting basis permitted by Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) for 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings as item 2022-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Village's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Village's response to the finding identified in our audit and described in the accompanying corrective action plan. The Village's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

September 26, 2023

OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Village of Oak Harbor
Ottawa County
P.O. Box 232
Oak Harbor, Ohio 43449-0232

To the Village Council:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Village of Oak Harbor, Ottawa County, Ohio's (the Village) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the Village of Oak Harbor's major federal programs for the year ended December 31, 2022. The Village of Oak Harbor's major federal programs are identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings.

In our opinion, the Village of Oak Harbor complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the Village and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Village's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

The Village's management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Village's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Village's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Village's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Village's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Village's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of this testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

September 26, 2023

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**VILLAGE OF OAK HARBOR
OTTAWA COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2022**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	Water and Waste Disposal Systems for Rural Communities - AL #10.760 Coronavirus State and Local Fiscal Recovery Funds - AL #21.027
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2022-001

Material Weakness - Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The following errors requiring adjustment to the financial statements and notes to the financial statements were identified:

- Capital Projects Fund Type intergovernmental receipts and transportation and capital outlay disbursements in the amounts of \$352,244, \$56,456, and \$295,788, respectively, related to an Ohio Public Works Commission Issue 2 project were incorrectly recorded in the Special Revenue Fund Type; and
- Capital Projects Fund Type appropriation authority and budgetary expenditures were increased and Special Revenue Fund Type appropriation authority and budgetary expenditures were decreased in the amount of \$352,244 in order to bring the amounts reported in the Budgetary Activity note to the financial statements in line with actual amounts related to an Ohio Public Works Commission Issue 2 project.

These errors were not identified and corrected prior to the Village preparing its financial statements and notes to the financial statements due to deficiencies in the Village's internal controls over financial statement monitoring. The failure to adequately monitor financial statements and notes to the financial statements could allow for misstatements to occur and go undetected. The accompanying financial statements and notes to the financial statements have been adjusted to reflect these changes. In addition to the adjustments noted above, we also identified additional misstatements and ranging from \$2,686 to \$86,841 that we have brought to the Village's attention.

The Village should adopt policies and procedures, including a final review of the financial statements and notes to the financial statements by the Fiscal Officer and Village Council to prevent similar errors from occurring in the future.

Officials' Response:

See Corrective Action Plan.

3. FINDINGS FOR FEDERAL AWARDS

None



VILLAGE OF OAK HARBOR

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Danna McClanahan
Fiscal Officer

Jennifer Gyde
Admin Asst. to Fiscal Officer

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS 2 CFR 200.511(b) DECEMBER 31, 2022

Finding Number	Finding Summary	Status	Additional Information
2021-001	Finding was first reported during the audit of the 2017 financial statements. Material weakness for errors in financial reporting.	Not corrected and reissued as Finding 2022-001 in this report.	This matter was not corrected due to deficiencies in the Village's internal controls over financial reporting. The Village will make provisions to remedy inconsistencies in the future.



VILLAGE OF OAK HARBOR

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Danna McClanahan
Fiscal Officer

Jennifer Gyde
Admin Asst. to Fiscal Officer

CORRECTIVE ACTION PLAN 2 CFR § 200.511(c) DECEMBER 31, 2022

Finding Number: 2022-001
Planned Corrective Action: We take note of Finding 2022-001 and will make provisions to remedy inconsistencies in the future.
Anticipated Completion Date: December, 31 2023
Responsible Contact Person: Danna McClanahan, Fiscal Officer

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF OAK HARBOR

OTTAWA COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 9/28/2023

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

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